

Michigan School Business Officials

OUTSOURCING OR NOT?

May 4, 2017

Agenda

1. Background
2. Drivers to Pursue Outsourcing
3. Alternative Forms of Outsourcing
4. Outsourcing Process
5. Outsourcing Timeline Guidelines
6. Criticisms of Outsourcing
7. Hurdles to Outsourcing
8. Keys to Success
9. Options to Outsourcing

Background

- Mackinac Center reported in their 2016 Survey that 70.1% of Michigan school districts contract out one or more of the operational areas of custodial, transportation and food services (*Note: In their 2001 survey, 31% of Michigan school districts contracted out custodial, transportation or food services*)
- Mackinac Center reported in their 2016 Survey the following statistics:

Operational Area Outsourced	#of Districts	%
Food Services	231	42.7%
Custodial Services	277	51.2%
Transportation Services	137	25.3%

Background

- Substantial increase in use of “staffing companies” (PESG, EDUstaff, PCMI) for:
 - Substitutes
 - Coaches
 - Administrative support staff
 - Operational support staff
 - Administrators
- Expansion in the role of ISD’s – Business Offices, Technology
- Increased use of “niched staffing” companies

Drivers to Pursue Outsourcing

1. Reduce wage and/or benefit rates
2. Reduce staffing levels
3. Keep/increase focus of administrators on the district's mission
4. Reduce headaches (primarily personnel issues)
5. Improve level of service
6. Increase level of supervision
7. Better equipment
8. Better training

Alternative Forms of Outsourcing

1. Full outsourcing of the complete function – management, staff, equipment and supplies
2. Outsourcing only management of the function
3. Outsourcing only a portion of the staff or function

Examples:

- Retain head custodians
 - Outsourcing only bus maintenance/mechanics
 - Outsourcing grounds
4. Outsourcing on an attrition basis

Outsourcing Process

1. Internal Analysis and Documentation of Services
2. Request for Proposal
 - General Terms and Conditions – Activities, Timelines, Communications, Requirements
 - Pre-Bid Meeting Invitation
 - Detailed List of Services Within Scope
 - Services That Are Outside of the Scope
 - Service Response Levels
 - Selection Criteria
 - Proposed Contract

Outsourcing Process, cont'd

2. Request for Proposal, cont'd

■ Bidder Response Forms

- ❖ Overview/Summary
- ❖ Vendor Questionnaire – Financial Statements, Litigation History, Relevant Experience
- ❖ Cost Pricing/Forms
- ❖ Vendor References
- ❖ Detailed Description of Services
- ❖ Implementation Plan
- ❖ Affidavits – Familial Relationship, Iran-Linked Business

Outsourcing Process, cont'd

3. Vendor Evaluation
 - Vendor Qualifications
 - Services Proposed
 - Cost
 - Interviews
4. Vendor Contract/Agreement

Outsourcing Timeline Guidelines

Task	Weeks 1-2	Weeks 3-4	Weeks 5-6	Weeks 7-8	Weeks 9-10	Weeks 11-12	Weeks 13-14	Weeks 15-16	Weeks 17-18	Weeks 19-20
Data Collection/Define Scope of Services	█									
Develop Request for Proposal (RFP)		█								
Issue RFP/ Conduct Pre-Bid Meeting			█							
Evaluate Responses/ Interviews/ Due Diligence					█					
Explore Contract Terms						█				
Board Discussions/ Board Award						█				
Negotiate Contract								█		
Transition Planning									█	
Transistion										█

Note: Michigan Department of Education has specific timelines for the RFP process for food services which vary from the above guidelines

Criticisms of Outsourcing

1. Impact on current staff
2. Vendor/contractor will not deliver (service, cost savings)
3. Loss of local jobs
4. Loss of employee loyalty
5. New faces
6. Loss of control
7. Higher staff turnover
8. Safety concerns

Hurdles to Outsourcing

1. Politics
2. Time required for analysis, vendor selection, contract development, employee relations, etc
3. Bargaining unit pressure
4. Staff morale
5. Increased scrutiny on operations (at least for some time period)
6. Risk

Keys to Success

1. Planning
2. Communication
3. Comprehensive analysis (costs, services)
4. Selecting the right vendor
5. Developing the right contract
6. Establishing oversight, monitoring processes

Options to Outsourcing

1. Improving your own operations – benchmarking, greater efficiency/productivity
2. Obtaining wage and/or benefit concessions
3. Negotiating a 2 tier compensation plan
4. Consolidating services and alliances with other districts

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